

ENC2

CITY OF SANTA MONICA
Santa Monica, California

Single Audit Report on Federal Awards

Year ended June 30, 2008

SAR
3/6/09

CITY OF SANTA MONICA
Single Audit Report on Federal Awards
Year ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	9



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Honorable Mayor and City Council
City of Santa Monica, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Monica, California ("City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.



City Council
City of Santa Monica, California
Page Two

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, and City's management and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Holtzman McCann P.C.

Irvine, California
December 15, 2008



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Honorable Mayor and City Council
City of Santa Monica, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Santa Monica, California ("City"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

City Council
City of Santa Monica, California
Page Two

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the City Council, City's management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 15, 2008

CITY OF SANTA MONICA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2008

<u>Federal grantor/Pass-through grantor/Program title</u>	<u>CFDA number</u>	<u>Grant number / Pass-through grantor's number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<u>U.S. Department of Agriculture</u>				
Passed through Los Angeles County Department: of Community & Senior Citizens Services - Food Donation	10.550	40303	\$ 25,791	-
Total U.S. Department of Agriculture			<u>25,791</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Los Angeles County Department: of Community & Senior Citizens Services - Special Programs for the Aging - Title III, Part C, Nutrition Services	93.045	40303	162,586	-
Total U.S. Department of Health and Human Services			<u>162,586</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the State of California: Office of Emergency Services - Public Assistance Program 1994 Earthquake Disaster Assistance	97.036	FEMA-1008-DR	5,376,351	-
Passed through the County of Los Angeles: Office of Emergency Management Homeland Security Grant Program	97.067	2005/2006	69,117	-
			<u>69,117</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>5,445,468</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Disaster Voucher Program	14.000	CA111DVP	343	-
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-060529	2,805,387	718,072
Shelter Plus Care	14.238	CA16-C70-0184	1,928	-
	14.238	CA16-C50-0207	144,825	-
	14.238	CA16-C60-0176	1,448,751	-
	14.238	CA16-C60-0177	29,476	-
			<u>1,624,980</u>	<u>-</u>
HOME Investment Partnerships Program Annual Grant	14.239	M-05-MC-060537	539,082	-
Community Development Block Grants / Brownfields Economic Development Initiative	14.246	B-03-SP-CA-0079	134,000	-
	14.246	B-04-SP-CA-0109	298,230	-
	14.246	B-05-SP-CA-0749	69,118	-
			<u>501,348</u>	<u>-</u>
Section 8 - Housing Choice Voucher Program	14.871	CA111VO013-0047	13,429,166 *	-
Passed through the Los Angeles Homeless Services Authority:				
Supportive Housing Program	14.235	CA16Z95-1121	382,951	-
	14.235	CA16SB5-0001	83,551	-
			<u>466,502</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>19,366,808</u>	<u>718,072</u>

(Continued)

CITY OF SANTA MONICA
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2008

<u>Federal grantor/Pass-through grantor/Program title</u>	<u>CFDA number</u>	<u>Grant number / Pass-through grantor's number</u>	<u>Federal Expenditures</u>	<u>Subrecipients</u>
<u>U.S. Department of the Interior National Park Service</u>				
Direct Programs:				
Save America's Treasures, Preserve America Grant Program	15.929	—	14,720	14,720
Total U.S. Department of Interior National Park Service			<u>14,720</u>	<u>14,720</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Asset Seizure	16.000	—	34,445	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DJBX0271	55,480	-
			<u>55,480</u>	<u>-</u>
Developing, Testing and Demonstrating Promising new Programs			47,899	-
Night Bridges Parent Education and Late Night Youth Programs	16.541	2006MUFX0001	47,899	-
			<u>47,899</u>	<u>-</u>
Total U.S. Department of Justice			<u>137,824</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Highway Planning and Construction:				
Passed through the State of California Department of Transportation:				
Pedestrian Extension to Downtown Transit Mall Project	20.205	5107 (015) 07-932340	300,805	-
Exposition Corridor Commuter Bike Path	20.205	STPLER5107 (016)	33,255	-
			<u>334,060</u>	<u>-</u>
State and Community Highway Safety:				
Passed through the State of California Office of Traffic Safety:				
Selective Traffic Enforcement Program	20.600	PT0806	110,090	-
			<u>110,090</u>	<u>-</u>
Direct Program:				
Capital Investment Grant	20.500	CA-15-X006-00	11,887 *	-
Formula Grant	20.507	CA-90-Y118-01	2,942,161 *	-
Passed through the State of California Office of Traffic Safety:				
Traffic Signal Priority	20.507	CA-90-Y261 / CA-90-Y457	1,203,234 *	-
Total U.S. Department of Transportation			<u>4,601,432</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
Direct Program - Asset Seizure Program	21.000	—	231,706	-
Total U.S. Department of Treasury			<u>231,706</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Program - SWDA Special Purpose Activities -				
Solid Waste Management Assistance, Pilot Collection Program	66.808	X1-99900001-0	30,041	-
Total U.S. Environmental Protection Agency			<u>30,041</u>	<u>-</u>
Total Federal Awards			<u>\$ 30,016,376</u>	<u>732,792</u>

* Major programs

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF SANTA MONICA

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Santa Monica that are reimbursable under federal programs of federal awards. For the purposes of this schedule, federal awards include both federal awards received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Subrecipients

The City of Santa Monica incurred \$718,072 of Community Development Block Grant (CFDA No. 14.218) expenditures that were paid to six subrecipients and \$14,720 of Preserve America, Historic Preservation Grant (CFDA No. 15.929) expenditures that were paid to one subrecipient.

CITY OF SANTA MONICA
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control over financial reporting identified in internal controls as a result of the audit of the financial statements.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses in internal control over the major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings which the auditor is required to report under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were CFDA No. 14.871 U.S. Department of Housing and Urban Development – Section 8 – Rental Voucher Program and CFDA No. 20.500/20.507 U.S. Department of Transportation – Capital Investment and Formula Grants.
8. The dollar threshold used to distinguish Type A and Type B programs was \$900,491.
9. The auditee was considered a low risk auditee for the year ended June 30, 2008 for purposes of major program determination.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There are no auditors' findings required to be reported in accordance with GAGAS.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133

There are no auditors' findings required to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

CITY OF SANTA MONICA

Summary Schedule of Prior Audit Findings

Year ended June 30, 2008

Status of Prior Year Audit Findings:

2007.1 CFDA # 20.507 Federally-Funded Expenditures and Timeliness of Drawdowns - Resolved